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C O N F I D E N T I A L ABU DHABI 001827

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TREASURY FOR U/S MCCORMICK, A/S LOWREY, DAS SAEED, DAS
SOBEL, DAS DALY, KMATHIASSEN, JROSE, RKAPROTH, MTURNER
STATE FOR NEA/ARP, EB/IFD/OMA
NSC FOR NRAMCHAND

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [AE](#)

SUBJECT: INCREASED COSTS AND DELAYS FACTORED IN TO U.S.
INVESTMENTS, ACCORDING TO ABU DHABI INVESTMENT FIRM

REF: REF ABU DHABI 1696

Classified By: Ambassador Michele J. Sison, for reasons 1.4 b and d.

This cable contains business proprietary information.

[¶1.](#) (C) Summary. On 25 October 2007, Treasury Attach Matthew Epstein and Econ Chief Oliver John met with Mubadala Chief Operating Officer (COO) Walid al Mokarrab and Executive Affairs Authority Director of Strategic Communications Simon Pearce. Treasury Attach and Econ Chief stressed USG commitment to open investment, per recent and upcoming Treasury Department visits to UAE. Mubadala COO stated that the U.S. would continue to receive the majority of Abu Dhabi's overseas investment due to the size and depth of the U.S. economy. However, he expressed frustration at the rising political climate of protectionism in the U.S., stating that additional time and costs are factored in to every U.S. deal. End Summary.

[¶2.](#) (C) On 25 October 2007, Treasury Attach Matthew Epstein and Econ Chief Oliver John met with Mubadala Chief Operating Officer Walid al Mokarrab and Executive Affairs Authority Director of Strategic Communications Simon Pearce. Treasury Attach and Econ Chief stressed USG commitment to open investment, as discussed during Treasury DAS Ahmed Saeed's September 2007 visit to UAE, and will be discussed during U/S McCormick's upcoming October 2007 visit. Mubadala COO stated that the U.S. would continue to receive the majority of Abu Dhabi's overseas investment due to the size and depth of the U.S. economy. However, he expressed frustration at the rising political climate of protectionism in the U.S.

[¶3.](#) (C) Al-Mokarrab explained that Mubadala now factors in an additional political risk premium (up to 15%) in costs to their pre-capitalized deal budget for every U.S. transaction. Providing detail, Pearce described a process of designing and implementing detailed strategic political outreach and public relations plans for every U.S. deal to manage the risk of possible blowback. Pearce believed that this planning effort and "micro-attention" to detail contributed to the success to date of the Carlyle transaction, and that these lessons will be carried forward to future transactions. Pearce, labeling this process a strategic "machine," informed that he had no similar machine for European deals, as the political and investment climate in Europe did not require such an effort by Mubadala. Pearce regarded the CFIUS process as "smooth" and not problematic in the context of closing deals.

[¶4.](#) (C) On the topic of sovereign wealth funds and the recent statements from Secretary Paulson and the G-7, Pearce

expressed reservation about being "put into a barrel for everyone to shoot at." Treasury Attach and Econ Chief reiterated that best practices could be a means to distinguish responsible investment actors, benefiting well run and established funds such as Mubadala. While Pearce admitted that he was "paid to worry" about such issues, Mubadala COO did not seem to express an opinion on the value of a voluntary, IMF-lead best practices exercise, while he did inquire as to ADIA's response to the proposal.

15. (C) Underlining the commitment to continued investment in the U.S. market, Mubadala COO advised that the Abu Dhabi-based investment firm would be announcing several U.S. transactions in the coming weeks before Christmas. Mubadala COO and Pearce thanked Treasury Attach and Econ Chief for the discussion and looked forward to further engagement with Treasury Under Secretary David McCormick.
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